

Interest Rate for Agricultural Lands as Required by Idaho Code 63-602K, for the 2004 Assessment Year.

The 1998 Legislature passed into law, an amendment to Idaho Code 63-1705 requiring the use of the Farm Credit Bank interest rate, for the capitalization process in the appraisal of forestland. Therefore, the Tax Commission is required to use the rate from the district that serves Idaho, which is the Spokane and Omaha Districts. The rate to be used is that which is published by the Internal Revenue Service (IRS) in their computation of agricultural land value, for estate tax purposes. Idaho Code 63-1705 makes reference to IRS code number 2032A. The published rate in IRS Rule 5246 is a five-year average annual rate for all new long-term Farm Credit Bank loans. Idaho Code 63-602K requires the Assessor to use the rate of interest charged by the Omaha/Spokane offices of the farm credit Service system averaged over the past five (5) years plus a component for the local tax rate.

The only difference between the rate prescribed by Idaho Code 63-1705 and Idaho Code 63-602K is the requirement in Idaho Code 63-1705 to add to the rate, a factor of eighty-five one hundredths percent (.85%) for the appraisal of forest land.

To develop consistency in the valuation of forest and agricultural lands, the Tax Commission has elected to use the annual rate published under section 2023A of the Internal Revenue Service Code for the appraisal of agricultural land. The rate to be used for assessment year 2004 is as follows:

The statutory Interest Rate, pursuant to Section 63-602K, Idaho Code, is 7.23 % for assessment of qualifying land on the 2004 assessment roll.

Add the 7.23 % rate to the current tax rate selected for the code area where appraisals are made. This total is the capitalization rate for agricultural lands for 2004 as required by Idaho Code 63-602K.